



CITY OF SALINAS

FINANCE COMMITTEE STAFF REPORT

DATE: APRIL 7, 2026

DEPARTMENT: PUBLIC WORKS DEPARTMENT

FROM: MARIA CONTRERAS, MANAGEMENT ANALYST
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TITLE: DEVELOPMENT IMPACT FEES ANNUAL ADJUSTMENT

RECOMMENDED MOTION:

A motion to recommend to the City Council approval of a Resolution to increase City Development Impact Fees by 2.8% effective July 1, 2026.

EXECUTIVE SUMMARY:

Requesting the Finance Committee to recommend to the City Council to approve a resolution to adjust the City Development Impact Fees by 2.8% which will become effective July 1, 2026. The increase is based on the Engineering News Record (ENR) construction cost index (CCI) increase over the last year, which is consistent with the fee ordinance.

BACKGROUND:

To ensure that new development contributes its fair share, the City imposes Development Impact Fees to fund the expansion and improvement of public infrastructure, facilities, and services needed to accommodate development growth.

When properly established, Development Impact Fees serve the interests of both the community and developers. They provide the public with a reliable mechanism to expand essential facilities to meet the demands of growth, while allowing developers to address their project's impact on a fair and predictable basis. Individual developers are not held responsible for mitigating the large-scale impacts caused by cumulative growth. For instance, no single project is expected to fund a new fire station or a major sewer main upsizing. Instead, an appropriately adjusted fee program allows developers to pay their equitable and proportional share for these citywide improvements. This system also enables developers to address impacts identified under CEQA (California Environmental Quality Act) more efficiently, by passing the need for lengthy and costly individual studies.

Salinas Municipal Code Sections 9-40 through 9-50 defines and establishes the calculation of Development Impact Fees. Specifically, Section 9-42(b) allows for annual adjustments to Development Impact Fees based on fluctuating construction costs. To determine these adjustments, the City uses the Engineering New Record (ENR) Construction Cost Index, which is the recognized industry standard. The Construction Cost Index (CCI) as published by ENR is based

on a combination of labor rates and material costs across 20 major U.S. metropolitan areas to provide a reliable national average. Pursuant to Salinas Municipal Code Section 9-42(b), development impact fees may be adjusted annually based on the percentage change in this index from January to January. For this period, the CCI increased by 2.8% (January 1, 2025, to January 1, 2026), as detailed in the attached Construction Economics Summary, Attachment 1.

This report includes three exhibits detailing the specific fee adjustments. Exhibit A and Exhibit B outline the current and proposed fee schedules for impacts to City infrastructure (such as sewers and transportation) and public facilities (including police and fire services). Additionally, Exhibit C provides a draft summary of the program's overall financial status, tracking both revenue and expenditure over the past year.

Planning Commission

On March 18, 2026, staff briefed the Planning Commission on proposed annual Development Impact Fee adjustments. Key discussions focused on fee applicability for affordable housing and the governance of fee revenues. Staff confirmed that revenue spending follows infrastructure plans and nexus studies, while affordable housing fees fall under the Inclusionary Housing Program. To improve outreach for the public hearing, staff were requested to supplement legal newspaper notices with social media updates.

Traffic and Transportation Commission

Staff will present the proposed annual Development Impact Fee adjustments to the Traffic and Transportation Commission during their April 9, 2026 meeting.

Outreach

As part of the City's commitment to stakeholder engagement, staff shared the 2026 Development Impact Fee Schedule adjustments with the Salinas Valley Chamber of Commerce and the Development Community, including Future Growth developers and the Central Coast Builders Association on March 17, 2026. The notification provided the Chamber and the development community with the proposed fee updates and a timeline for public meetings. While Kevin Dayton acknowledged the email, neither the Chamber, nor members of the development community, provided further comment.

Staff are finalizing an informational webpage on Development Impact Fees for public release. To ensure this data reaches developers early in the planning process, staff is also leveraging the City's social media and communication channels to improve transparency and accessibility.

Public Notice

Consistent with Government Code 66014, a ten (10) day public hearing notice was published in a local newspaper announcing the proposed fee adjustments. Additionally, a sixty (60) day public hearing notice for the City Development Impact Fee Annual Adjustment will be published in a local newspaper following City Council action on April 21, 2026. The proposed fees will become effective July 1, 2026.

CEQA CONSIDERATION:

Not a Project. City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) pursuant to Sections 15378 and 15061(b)(3).

CALIFORNIA GOVERNMENT CODE §84308 APPLIES:

No.

STRATEGIC PLAN INITIATIVE:

Updating Development Impact Fees to match the fluctuating cost of construction is consistent with the City Council Strategic Plan initiatives of Economic Development, Housing, Infrastructure, Public Safety and Youth and Seniors by investing in existing facilities and infrastructure, reducing City expenditures to address impacts due to growth, and by providing adequate funding to additional need for policing and emergency medical services due to growth.

DEPARTMENTAL COORDINATION:

Public Works staff have consulted with other City Departments to develop the recommendations herein, including Administration, Finance, and Legal. Should the City Council approve the recommendation, Public Works will continue to collaborate with these departments, along with Community Development.

FISCAL AND SUSTAINABILITY IMPACT:

Adjusting fees to align with the ENR Construction Cost Index ensures that revenues keep pace with inflation. This prevents construction cost increases from burdening the General Fund, ensuring that that new development pays for its own infrastructure impacts.

The table below summarizes the percentage increases applied over the most recent five-year period along with the proposed adjustment.

Development Impact Fee Adjustment History (2021-2027)

Fiscal Year (FY)	Fee Increase (%)
2021-2022	2.1%
2022-2023	8.0%
2023-2024	4.9%
2024-2025	2.6%
2025-2026	1.6%
2026-2027	2.8%

ATTACHMENTS:

Attachment 1 - ENR Construction Economics Summary

Exhibit A – Public Infrastructure Fee Schedule
Exhibit B-1 – Public Facilities Fee Schedule
Exhibit B-2 – Public Facilities Fee Schedule for Residential Development
Exhibit C – Statement of Revenue and Expenditures for Development Impact Fees (draft)